

Message Text

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14

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SUBJECT: 21ST UNDP GOVERNING COUNCIL-UN REVOLVING FUND
FOR NATURAL RESOURCES EXPLORATION (AGENDA ITEM II)

1. SUMMARY: THIS ITEM WAS INTRODUCED BY THE DIRECTOR OF THE FUND, MR. HIROSHI SAKURAI. ELEVEN COUNTRIES PARTICIPATED IN THE SUBSEQUENT DISCUSSION, JANUARY 16 AND 19. MOST WERE GENERALLY SUPPORTIVE OF THE FUND BUT A NUMBER OF COUNTRIES INCLUDING THE US URGED THAT THE FUND BUILD A SOLID FOUNDATION BEFORE EXPANDING INTO ADDITIONAL TYPES OF EXPLORATION, AND ONLY AFTER CAREFUL FURTHER STUDY OF THE FUNDS OPERATIONAL PROCEDURES AND A ADMINISTRATIVE ARRANGEMENTS. SEVERAL COUNTRIES ALSO ANNOUNCED PLANNED CONTRIBUTIONS TO THE FUND. END SUMMARY.

2. INITIATING THE DISCUSSION OF THIS AGENDA ITEM MR. SAKURAI DESCRIBED THE FUND AS A NEW CONCEPT IN UN DEVELOPMENT CO-OPERATION. HE SAID THAT IN ADDITION TO THE VOLUNTARY CONTRIBUTIONS REFERRED TO IN PARA. 2 OF DOCUMENT DP/154, IRAQ HAS EXPRESSED ITS INTENTION OF CONTRIBUTING TO THE FUND. MR. SAKURAI SAID SUCH BACKING WAS A WELCOME SYMBOL OF SELF-HELP AND COOPERATION AMONG DEVELOPING COUNTRIES. HE REVIEWED THE FUND'S ACTIVITIES, INCLUDING REVISION OF THE MODEL AGREEMENT; NOTED THAT THE LONG TERM SUCCESS OF THE FUND WOULD DEPEND ON THE SUCCESS OF ITS EXPLORATION WORK, AND SAID THAT IN ACCORDANCE WITH UNCLASSIFIED

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ECOSOC RESOLUTION 1965 (LIX) WORK HAD BEGUN ON OPERATIONAL

PROCEDURES AND ARRANGMENTS NEEDED TO UNDERTAKE FEASIBILITY STUDIES.
HE ALSO DISCUSSED THE FUNDING NEEDS OF THESE STUDIES.

3. ELEVEN DELEGATIONS PARTICIPATED IN THE DISCUSSIONS OF THE FUND. JAPAN SUPPORTED THE PRESENT TERMS OF REFERENCE OF THE FUND, URGED GLOBAL SUPPORT FOR THE FUND'S WORK, AND SAID THAT JAPAN'S 1976 CONTRIBUTION TO THE FUND WOULD BE ANNOUNCED LATER IN THE PRESENT SESSION. ITALY SUGGESTED THAT THE FUND SHOULD SUPPORT ONLY LOW-RISK, HIGH YIELD PROJECTS NOW, AND RESERVE RISKIER VENTURES FOR A LATER STAGE. CANADA EXPRESSED THE HOPE THAT THE FUND WOULD MAINTAIN ITS ORIGINAL TERMS OF REFERENCE, AND IRAN SAID THE FUND SHOULD ONLY ENGAGE IN PROJECTS WHERE A SATISFACTORY RETURN WAS ANTICIPATED. THE US (MR. EVANS) EXPRESSED PLEASURE THAT THE REVOLVING FUND HAD BEEN ORGANIZED, AND THAT IT IS UTILIZING THE JOINT OPERATIONS GROUP AS AN IMPORTANT ADVISORY BODY IN PLANNING AND IMPLEMENTING THE FUND'S ACTIVITIES. THE US SUPPORTED JAPAN, ITALY, CANADA AND IRAN EACH OF WHOM HAD CALLED UPON THE REVOLVING FUND TO BUILD A SOLID FOUNDATION WITHIN THE EXISTING SCOPE OF PROJECTS BEFORE EXPANDING INTO MORE SOPHISTICATED FIELDS OF EXPLORATION. THE US COMMENTED THE UNDP ADMINISTRATOR AND THE FUND'S DIRECTOR ON THE TIMELINESS AND CLARITY OF THE PROCEDURES AND ARRANGEMENTS CONTROLLING THE FUNDS OPERATIONS AND ADMINISTRATION AS STATED IN DOCUMENT DP/142; NOTED WITH INTEREST THAT FOUR OF THE 19 COUNTRIES VISITED DURING THE PAST YEAR WERE AMONG THE LEAST DEVELOPED; AND HOPED THAT, TO THE EXTENT POSSIBLE, THE FUND MANAGEMENT WOULD GIVE SPECIAL ATTENTION TO THE LEAST DEVELOPED COUNTRIES. THE US REQUESTED THE FUND DIRECTOR TO INDICATE THE NUMBER OF LEAST DEVELOPED COUNTRIES VISITED AMONG THE SIX ADDITIONAL COUNTRIES VISITED SINCE PREPARATION OF DOCUMENT DP/154; AND ALSO REQUESTED A BUDGET BREAKOUT ON THE PROFESSIONAL COSTS IN BACKSTOPPING THE TWO FIELD PROJECTS AND THE APPROXIMATELY 10 ADDITIONAL PROJECTS UNDER ACTIVE CONSIDERATION.

4. CHINA SAID THAT THE MODEL AGREEMENT, DRAWN UP AS THE BASIS OF NEGOTIATIONS FOR FUND PROJECTS, CONTAINED SEVERAL CLAUSES WHICH CONSTITUTED INTERFERENCE IN THE INTERNAL AFFAIRS OF THE DEVELOPING COUNTRIES, AND THEREFORE IT WOULD NOT BE APPROPRIATE
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FOR THE COUNCIL TO APPROVE THE MODEL AGREEMENT. CHINA ALSO OPPOSED PARTICIPATION OF THE WORLD BANK IN THE OPERATION OF THE FUND. (FYI THE CHINESE INTERVENTION WAS MORE MUTED THAN AT THE 20 TH SESSION IN JUNE ENDFYI.). SWITZERLAND EXPRESSED THE HOPE THAT THE FUND WOULD ACT AS A CATALYST FOR NEW MINERALS RESOURCES DEVELOPMENT, AND ANNOUNCED IT WOULD SERIOUSLY CONSIDER CONTRIBUTING TO THE FUND IN THE FUTURE. BELGIUM ANNOUNCED PLANS TO CONTRIBUTE DURING THE CURRENT

FISCAL YEAR, BUT SAID THAT ON THE BASIS OF THE AVAILABLE DOCUMENTS ON THE FUND IT WAS DIFFICULT TO DECIDE THE AMOUNT OF THE CONTRIBUTION.

5. CANADA SPEAKING AGAIN LATER IN THE DISCUSSIONS POINTED OUT THE IMPORTANCE OF THE "REVOLVING" NATURE OF THE FUND, SAID THAT THE FUND HAD A UNIQUE POTENTIAL FOR MUTUAL HELP IN EXPLORATION FOR NATURAL RESOURCES, AND DISAGREED WITH THE PREVIOUS COMMENT (BY CHINA) THAT THE MODEL AGREEMENT INFRINGED ON THE RIGHTS OF NATIONS OVER THEIR NATURAL RESOURCES. CANADA ALSO ANNOUNCED A CONTRIBUTION OF \$1.5 MILLION TO THE FUND TO BE PAID BY MARCH, 1976, HOPED THAT THE JUNE 1976 GOVERNING COUNCIL WOULD RECEIVE A FULL LONG-TERM BUDGET REPORT ON THE FUND, SAID IT HAD NO OBJECTION TO THE FUND'S FINANCING FEASIBILITY STUDIES EVENTUALLY, AND PROPOSED THAT THE FUND'S DIRECTOR SUBMIT TO THE 24TH GOVERNING COUNCIL SESSION A REPORT ON THE ADMINISTRATIVE ARRANGEMENTS NECESSARY FOR CARRYING OUT SUCH STUDIES. CUBA SAID IT CONTINUED TO HAVE RESERVATIONS ON THE "COMPULSORY" NATURE OF THE REIMBURSEMENT BY THE DEVELOPING COUNTRIES TO THE FUND, ADDING THAT THIS RULE GAVE THE FUND A COMMERCIAL CHARACTER. INDIA REITERATED ITS OBJECTION TO SOME OF THE PROCEDURES OF THE FUND, EMPHASIZED THE NEED FOR RESTRICTING THE SIZE OF REIMBURSEMENT BY A DEVELOPING COUNTRY TO FUND, EXPRESSED DOUBTS ABOUT WHETHER THE FUND'S RESOURCES WOULD BE ADEQUATE TO EXTEND OPERATION INTO THE FEASIBILITY STUDY PHASE, AND ASKED FOR FURTHER STUDY OF THE FUND'S PROCEDURES AND ARRANGEMENTS. MEXICO OFFERED TO MAKE AVAILABLE TO DEVELOPING COUNTRIES ITS TECHNOLOGICAL KNOW-HOW IN THE FIELD OF NATURAL RESOURCES EXPLORATION.

6. MR. SAKURAI THANKED CANADA FOR ITS CONTRIBUTION TO THE FUND, AND SAID THAT THE ADVICE AND SUGGESTIONS OF COUNCIL MEMBERS WOULD BE TAKEN INTO ACCOUNT IN THE OPERATION OF THE

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FUND. REPLYING TO QUESTIONS CONCERNING EXPENDITURES ON PRE-PROJECT ACTIVITIES, HE SAID THAT THE FUND'S SUCCESS DEPENDED ON THE SUCCESS OF ITS EXPLORATION WORK, AND PROJECTS SELECTED HAD TO HAVE A HIGH POTENTIAL. THE FUND IS TRYING TO MINIMIZE COSTS BY USING UNDP PROJECT MISSIONS AS FAR AS POSSIBLE. THE FUND'S ADMINISTRATIVE AND PRE-PROJECT EXPENDITURES SO FAR HAVE BEEN COVERED BY INTEREST INCOME FROM EARLIER CONTRIBUTIONS. IN RESPONSE TO A US QUERY HE SAID THAT THE SIX COUNTRIES VISITED AFTER PREPARATION OF DOCUMENT DP/QTR HAD INCLUDED TWO LEAST DEVELOPED COUNTRIES, NEPAL AND RWANDA.

7. THE COUNCIL ADOPTED A DECISION TO TAKE NOTE OF THE REPORT OF THE ADMINISTRATOR, THE STATEMENTS OF THE FUND'S DIRECTOR, AND THE OBSERVATIONS MADE BY COUNCIL MEMBERS DURING

CONSIDERATION OF THIS ITEM.

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